

**SCHOOLCRAFT TOWNSHIP, MICHIGAN**  
**(Houghton)**  
**FINANCIAL STATEMENTS**

Year ended March 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

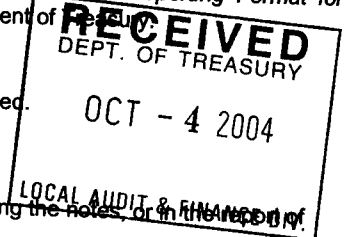
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Schoolcraft Township</b>	County <b>Houghton</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>9/4/04</b>	Date Accountant Report Submitted to State: <b>9/29/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>John I. Jukuri, CPA</b>			
Street Address <b>56730 Calumet Ave., Suite J</b>		City <b>Calumet</b>	State <b>MI</b>
Accountant Signature <i>John I. Jukuri CPA</i>		ZIP <b>49913</b>	Date <b>9/4/04</b>

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**CERTIFIED PUBLIC ACCOUNTANT**  
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**INDEPENDENT AUDITOR'S REPORT**

Board Members  
Schoolcraft Township  
Lake Linden, Michigan

I have audited the accompanying financial statements of Schoolcraft Township, Michigan as of and for the year ended March 31, 2004. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

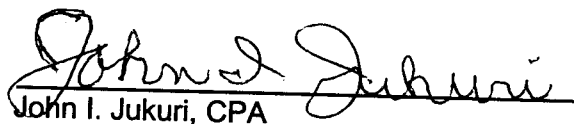
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1 (D), Schoolcraft Township, Michigan prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In my opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of Schoolcraft Township, Michigan as of March 31, 2004, arising from cash transactions and the related revenues received and expenditures disbursed during the year then ended on the basis of accounting described in Note 1 (D).

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Schoolcraft Township, Michigan. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

  
John I. Jukuri, CPA

Calumet, Michigan  
September 4, 2004

**SCHOOLCRAFT TOWNSHIP, MICHIGAN**

**EXHIBIT A**

**COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY - ALL FUND TYPES**

March 31, 2004

	<u>GOVERNMENTAL FUND TYPE</u>		<u>FIDUCIARY FUND TYPE</u>	<u>TOTALS</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>(Memorandum Only)</u>
<b>ASSETS</b>				
Cash	\$ 24,566	\$ 13,635	\$ 25,107	\$ 63,308
Investments	89,827	57,004	142,250	289,081
Due from other funds		4,418		4,418
<b>TOTAL ASSETS</b>	<u>\$ 114,393</u>	<u>\$ 75,057</u>	<u>\$ 167,357</u>	<u>\$ 356,807</u>
	=====	=====	=====	=====
 <b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Due to other funds	\$	\$	\$ 4,418	\$ 4,418
Due to other governmental units			9,479	9,479
<b>TOTAL LIABILITIES</b>			<u>13,897</u>	<u>13,897</u>
 <b>FUND EQUITY:</b>				
Fund balance:				
Reserved for:				
Building	1,426			1,426
Parks and recreation	20,000			20,000
Road	20,000			20,000
Cemetery perpetual care			153,460	153,460
Unreserved	<u>72,967</u>	<u>75,057</u>		<u>148,024</u>
<b>TOTAL FUND EQUITY</b>	<u>114,393</u>	<u>75,057</u>	<u>153,460</u>	<u>342,910</u>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 114,393</u>	<u>\$ 75,057</u>	<u>\$ 167,357</u>	<u>\$ 356,807</u>
	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

**SCHOOLCRAFT TOWNSHIP, MICHIGAN**

EXHIBIT B

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES**

**ALL GOVERNMENTAL FUND TYPES**

Year ended March 31, 2004

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<b>RECEIPTS:</b>			
Taxes	\$ 33,552	\$	\$ 33,552
State aid	54,459	385	54,844
Charges for services		63,826	63,826
Interest & rents	3,324	1,477	4,801
Other	<u>8,216</u>	<u>385</u>	<u>8,601</u>
<b>TOTAL RECEIPTS</b>	<u>99,551</u>	<u>66,073</u>	<u>165,624</u>
<b>DISBURSEMENTS:</b>			
Legislative	5,515		5,515
General government	52,253	1,500	53,753
Public safety	8,750	309	9,059
Public works	4,968		4,968
Sanitation		41,915	41,915
Cemetery		26,834	26,834
Parks & recreation	11,033		11,033
Other	9,389		9,389
Capital outlay	1,675		1,675
Miscellaneous	<u>7,053</u>		<u>7,053</u>
<b>TOTAL DISBURSEMENTS</b>	<u>100,636</u>	<u>70,558</u>	<u>171,194</u>
Excess of receipts over (under) disbursements	<u>(1,085)</u>	<u>(4,485)</u>	<u>(5,570)</u>
Other financing sources (uses):			
Operating transfers in		8,718	8,718
Operating transfers out	<u>(300)</u>		<u>(300)</u>
Total other financing sources (uses)	<u>(300)</u>	<u>8,718</u>	<u>8,418</u>
Excess of receipts & other sources over (under) disbursements & other uses	(1,385)	4,233	2,848
Fund Balance - March 31, 2003	<u>115,778</u>	<u>70,824</u>	<u>186,602</u>
<b>FUND BALANCE - MARCH 31, 2004</b>	\$ 114,393 =====	\$ 75,057 =====	\$ 189,450 =====

The accompanying notes are an integral part of the financial statements.

**SCHOOLCRAFT TOWNSHIP, MICHIGAN**

EXHIBIT C

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**GENERAL FUND**

Year ended March 31, 2004

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>RECEIPTS:</b>			
Taxes:			
Current & delinquent	\$ 29,000	\$ 25,982	\$ (3,018)
Administration fees & other	7,400	7,184	(216)
Commercial forest	75	386	311
Total Taxes	<u>36,475</u>	<u>33,552</u>	<u>(2,923)</u>
State Aid	<u>64,524</u>	<u>54,459</u>	<u>(10,065)</u>
Charges for Services	<u>160</u>		<u>(160)</u>
Interest & Rents:			
Interest	800	3,162	2,362
Rents	<u>2,730</u>	<u>162</u>	<u>(2,568)</u>
Total Interest & Rents	<u>3,530</u>	<u>3,324</u>	<u>(206)</u>
Other:			
Administration fees	2,350	1,500	(850)
Reimbursements	<u>2,184</u>	<u>6,716</u>	<u>4,532</u>
Total Other	<u>4,534</u>	<u>8,216</u>	<u>3,682</u>
<b>TOTAL RECEIPTS</b>	<u>109,223</u>	<u>99,551</u>	<u>(9,672)</u>
<b>DISBURSEMENTS:</b>			
Legislative:			
Township board	<u>4,710</u>	<u>5,515</u>	<u>(805)</u>
General government:			
Supervisor	9,290	8,921	369
Elections	100	259	(159)
Assessor	8,090	11,370	(3,280)
Clerk	12,860	10,718	2,142
Treasurer	12,680	12,788	(108)
Town hall	6,440	7,757	(1,317)
Board of review	<u>550</u>	<u>440</u>	<u>110</u>
Total General Government	<u>50,010</u>	<u>52,253</u>	<u>(2,243)</u>

## SCHOOLCRAFT TOWNSHIP, MICHIGAN

EXHIBIT C (CONT'D)

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## GENERAL FUND

Year ended March 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety:			
Fire protection	<u>7,590</u>	<u>8,750</u>	<u>(1,160)</u>
Public Works:			
Street lighting	5,200	4,894	306
Roads & sewers	<u>20,000</u>	<u>74</u>	<u>19,926</u>
Total Public Works	<u>25,200</u>	<u>4,968</u>	<u>20,232</u>
Parks & recreation	<u>16,100</u>	<u>11,033</u>	<u>5,067</u>
Other:			
Employee benefits	5,663	6,364	(701)
Insurance		3,025	(3,025)
Miscellaneous	<u>1,500</u>	<u>7,053</u>	<u>(5,553)</u>
Total Other	<u>7,163</u>	<u>16,442</u>	<u>(9,279)</u>
Capital outlay:			
General government	<u>1,000</u>	<u>1,675</u>	<u>(675)</u>
TOTAL DISBURSEMENTS	<u>111,773</u>	<u>100,636</u>	<u>11,137</u>
Excess of receipts over (under) disbursements	(2,550)	(1,085)	1,465
Other financing sources (uses):			
Operating transfers out	<u>          </u>	<u>(300)</u>	<u>(300)</u>
Excess of receipts & other sources over (under) disbursements & other uses	(2,550)	(1,385)	1,165
Fund Balance - March 31, 2003	<u>115,778</u>	<u>115,778</u>	
FUND BALANCE - MARCH 31, 2004	<u>\$ 113,228</u> =====	<u>\$ 114,393</u> =====	<u>\$ 1,165</u> =====

The accompanying notes are an integral part of the financial statements.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

EXHIBIT D

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - NONEXPENDABLE TRUST FUND

Year ended March 31, 2004

CEMETERY PERPETUAL CARE TRUST

OPERATING RECEIPTS:

Interest income	\$ 8,418
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OTHER FINANCING USES:

Operating transfers out - Cemetery Fund	<u>8,418</u>
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NET INCOME (LOSS)	None
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Fund Balance Reserved - March 31, 2003	152,410
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Perpetual care lot sales	<u>1,050</u>
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FUND BALANCE RESERVED - MARCH 31, 2004	<u>\$ 153,460</u> =====
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The accompanying notes are an integral part of the financial statements.

## SCHOOLCRAFT TOWNSHIP, MICHIGAN

EXHIBIT E

## COMBINED STATEMENT OF CASH FLOWS - NONEXPENDABLE TRUST FUND

Year ended March 31, 2004

CEMETERY PERPETUAL CARE TRUST

## CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$ None
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## CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Increase in amounts due to other funds	4,418
Perpetual care lot sales	<u>1,050</u>

Net cash provided by capital and related financing activities	<u>5,468</u>
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## CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales of investments	44,095
Purchase of investments	<u>(42,199)</u>

Net cash provided by investing activities	<u>1,896</u>
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## INCREASE IN CASH

7,364

Cash Balance - March 31, 2003

8,264

CASH BALANCE - MARCH 31, 2004

\$ 15,628
=====

## RECONCILIATION OF MARCH 31, 2004 CASH BALANCE TO EXHIBIT A:

Cash balance - Nonexpendable Trust Fund	\$ 15,628
Cash balance - Agency Funds	<u>9,479</u>

Cash Balance - Exhibit A	\$ 25,107
	=====

The accompanying notes are an integral part of the financial statements.

# **SCHOOLCRAFT TOWNSHIP, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2004

### **(1) Summary of Significant Accounting Policies**

#### **A. Description of Township Operations**

Schoolcraft Township was organized as a General Law Township and is located in Houghton County, Michigan. It operates under an elected Board of Trustees consisting of five members, which are a supervisor, clerk, treasurer and two trustees. The Township has one liquor inspector. Services provided to the residents of Schoolcraft Township include law enforcement, fire protection, refuse collection, recreation and community enrichment.

#### **B. Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (primary government) and its component units, when applicable. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has no component units required to be reported.

#### **C. Basis of Presentation**

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Township are recorded in separate funds and account groups, categorized as follows:

#### **GOVERNMENTAL FUND**

**General Fund** - This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes and state aid. The fund includes the general operating expenditures of the Township.

**Special Revenue Funds** - These funds are used to account for specific revenue sources (other than expendable trusts or major capital projects) which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements. This fund type includes the Cemetery Operating, Liquor and Garbage Receiving Funds.

## FIDUCIARY FUNDS

Trust and Agency Funds - These funds account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund type includes the Current Tax and Delinquent Tax Accounts. The nonexpendable trust fund accounts for monies received by the Township for perpetual care of cemetery lots, where only the income earned from the investment of principal can be spent for cemetery operating purposes. The principal portion remains unspent. The Cemetery Perpetual Care Trust Fund is the only nonexpendable trust fund of the Township.

## ACCOUNT GROUP

General Fixed Assets Account Group - The Township has not established this account group. This account group should present the fixed assets of the local unit which are utilized in its operations (non-proprietary fixed assets) and are not accounted for in the respective governmental funds. It could include, depending on management's policy, assets known collectively as infrastructure assets - roads, drainage systems, fire hydrant systems and similar assets. Acquisition costs of these assets are included in disbursements in the year of purchase.

### D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Generally accepted accounting principles require that the governmental fund types and agency funds be recorded on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Nonexpendable trust funds are required to be accounted for by using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. However, the Township records its financial statements on the cash basis of accounting which is not in accordance with generally accepted accounting principles. Under the cash basis of accounting, revenues are recorded when received and expenditures are recorded when paid.

### E. Budgets

#### Budgetary Information

The Township presently follows a budget system which adopts the provisions of Michigan Public Act 621 - Uniform Budgeting and Accounting Act. An annual budget is adopted by the Board for the General Fund and certain Special Revenue Funds. The budget basis of accounting is the cash basis, the same basis used to reflect actual receipts and disbursements. Budgeted receipts and disbursements, as presented in Exhibit C, include authorized amendments to the original budget as adopted. The budget was adopted at the activity level. Appropriations lapse at year end.

#### F. Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, demand deposits and short-term investments with maturities of three months or less when acquired are considered to be cash equivalents. Cash includes amounts in demand deposits, savings deposits and cash equivalents. The Township's investments are stated at cost, which approximates market, and include certificates of deposit that have maturities in excess of three months from the date acquired and GNMA guaranteed pass through certificates.

#### G. Due To/From Other Funds

During the course of operations, transactions occur between individual funds. These receivables and payables are classified respectively as "due from other funds" or "due to other funds" on the balance sheet.

When applicable, noncurrent interfund loans are classified as "advances to/from other funds." Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

#### H. Fund Equity

Reservations of fund balances represent amounts that are not appropriable or are legally segregated for a specific purpose. The fund balance in the Cemetery Perpetual Care Trust Fund consists of two parts, a non-expendable portion representing amounts given to the Township to be invested (principal amounts which cannot be spent) and an expendable portion which contains the amount of investment income received on the investments (principal) which can be used only for the perpetual care of the cemetery lots and of which have not been transferred to the Cemetery Operating Fund. In accordance with generally accepted accounting principles, receipts from the sale of perpetual care lots are not recognized as revenue in the year of sale but rather, are shown as an addition to the nonexpendable fund balance.

#### I. Property Taxes

In accordance with State statutes property taxes are levied on December 1 and are due and payable within two and one half months, on or before February 14, of the following calendar year at which time all unpaid taxes become delinquent. The Township bills and collects its own property taxes. Unpaid personal property taxes continue to be collected by the Township while the unpaid real property taxes are purchased by the County and collected by them. The County sells tax notes, the proceeds of which are used to pay the Township for its delinquent real property taxes.

#### J. Other Financing Sources (Uses)

Included under other financing sources (uses) are cash transfers between the various Township funds.

#### K. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. All risk of loss is covered by commercial insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

## L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## M. Total Columns on Combined Statements

The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

## (2) Stewardship, Compliance and Accountability

### Budget Violations

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. During the year ended March 31, 2004, the Township did not adopt budgets for all of its Special Revenue Funds.

## (3) Cash and Investments

The Township's cash consists of various interest bearing savings and checking accounts. Deposits are carried at cost.

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3 disclosure for deposits at year end are as follows:

### Cash

At year end, the Township's carrying amount of deposits was \$63,308 and the bank balance was \$63,468. All of the bank balance was covered by federal depository insurance.

### Investments

Investments are stated at cost and include securities held by the Township and its custodial agent in the Township's name. The following applies for the year ended March 31, 2004:

	<u>Insured</u>	<u>Uninsured</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of deposit & savings	\$ 56,482	\$ 110,299	\$ 166,781	\$ 167,797
Asset & mortgage backed securities-GNMA		<u>122,300</u>	<u>122,300</u>	<u>120,289</u>
	<u>\$ 56,482</u>	<u>\$ 232,599</u>	<u>\$ 289,081</u>	<u>\$ 288,086</u>
	=====	=====	=====	=====

#### (4) Interfund Receivables and Payables

The Township has interfund receivables and payables at March 31, 2004 as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Primary Government:			
Cemetery Operating	\$ 4,418	Cemetery Perpetual Care Trust	\$ 4,418
	=====		=====

#### (5) Property Tax

The 2003 taxable value of Schoolcraft Township amounted to \$21,589,037, on which taxes were levied for Township operating purposes at 1.2405 mills amounting to \$26,125.

#### (6) Retirement

The Township contributes to a defined contribution pension plan in lieu of funding Social Security in accordance with I.R.S. approval.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by the Township, all elected officials are eligible under the plan. Contributions made by an employee or the Township vest 100% immediately. An employee that leaves the employment of the Township is entitled to his or her contributions and the Township's contributions in the form of a retirement benefit that can be provided by his accrued benefit under that given annuity contract. The Township currently contributes 6.2% of wages paid. Participants under the plan voluntarily contribute 6.2% of wages to their respective account.

The Township's pension expense amounted to \$2,282 for the year ended March 31, 2004.

The Township's defined contribution plan held no securities of Schoolcraft Township or other related parties during the year.

## (7) Joint Ventures

### Garbage Collection

Schoolcraft Township operates a joint garbage collection venture with Torch Lake Township. The financial information related to this joint venture is reported by Torch Lake Township. Schoolcraft Township reimburses Torch Lake Township for its share of the garbage collection operations, which approximates 28%. These costs are recorded in the Garbage Receiving Fund.

### Sewage Disposal

Schoolcraft Township is one of four governmental units who are members of the Torch Lake Area Sewage Authority, a separate governmental entity. The Authority board has control over its budgeting and financing obligations. The Authority has recorded on its books the fixed assets of the sewage disposal system along with the debt related to it, namely a contract payable to the County of Houghton, Michigan. This contract payable was established to provide Houghton County with the proper amounts required for them to pay the principal and interest on the bonds, the proceeds of which were used to construct the sewage disposal system. The bonds are registered in the name of Houghton County. The County has irrevocably pledged the contractual amounts it receives from the four unit Authority for the payments on the bond issue.

The funds raised by the Authority to pay for its contract payable come from fees collected from area water users and special assessments. The Township acts as an agent for the property owners by collecting the assessments in the Agency Fund, then forwarding them to the debt-holders (Torch Lake Area Sewage Authority/Houghton County).

Any shortfall that the Authority may encounter with respect to its contract payable will be eliminated by increasing the sewage rates charged to the various governmental unit's residents. In the event that this does not happen, each member of the Authority has pledged its full faith and credit for its share of the debt.

The Torch Lake Area Sewage Authority's total contract payable principal and interest outstanding at December 31, 2003 amounts to \$374,750. The following financial information was obtained from the 12/31/03 unaudited financial report of the Torch Lake Area Sewage Authority.

Total Assets	\$ 4,266,419
Total Liabilities	514,061
Total Equity	3,752,358
Total Revenues	256,501
Total Expenses	351,070
Increase (decrease) in Equity	(94,569)
Total Outstanding Debt including Interest:	
Current	97,371
Long-term	310,928

Revenues generated from the users of the system will be used to pay back the outstanding debt and interest. Included in expenses are \$170,174 of depreciation costs.

#### Torch Lake Area Fire Protection Authority

The Village of Lake Linden, Osceola Township, Schoolcraft Township and Torch Lake Township created the Torch Lake Area Fire Protection Authority (TLAFPA). The Authority board has control over its budgeting and financing obligations. The Authority was formed to acquire, own, improve, enlarge, extend and operate a water supply system for fire protection. Each municipality is obligated to pay an equal share of the expenses in quarterly installments. The amount of the installments is determined by the Board. The financial information related to TLAFPA is available at the office of the Clerk in the Village of Lake Linden, Michigan.

### **(8) Contingencies**

#### Federal and State Grants

The Township receives Federal and State grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal or State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of Township management, such disallowances, if any, will not be significant to the Township's financial statements.

**SCHOOLCRAFT TOWNSHIP, MICHIGAN**

**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE**

**ALL SPECIAL REVENUE FUNDS**

March 31, 2004

	<u>Cemetery Operating</u>	<u>Liquor</u>	<u>Garbage Receiving</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 2,479	\$ 396	\$ 10,760	\$ 13,635
Investments			57,004	57,004
Due from other funds	<u>4,418</u>	<u>          </u>	<u>          </u>	<u>4,418</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,897</u> =====	<u>\$ 396</u> =====	<u>\$ 67,764</u> =====	<u>\$ 75,057</u> =====
<b>LIABILITIES &amp; FUND BALANCE</b>				
Liabilities	\$	\$	\$	\$
Fund balance	<u>6,897</u>	<u>396</u>	<u>67,764</u>	<u>75,057</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 6,897</u> =====	<u>\$ 396</u> =====	<u>\$ 67,764</u> =====	<u>\$ 75,057</u> =====

# SCHOOLCRAFT TOWNSHIP, MICHIGAN

## COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

### ALL SPECIAL REVENUE FUNDS

Year ended March 31, 2004

	<u>Cemetery Operating</u>	<u>Liquor</u>	<u>Garbage Receiving</u>	<u>Total</u>
<b>RECEIPTS:</b>				
State aid	\$	\$ 385	\$	\$ 385
Charges for services	16,900		46,926	63,826
Interest	31		1,446	1,477
Other	<u>385</u>	<u></u>	<u></u>	<u>385</u>
<b>TOTAL RECEIPTS</b>	<u>17,316</u>	<u>385</u>	<u>48,372</u>	<u>66,073</u>
<b>DISBURSEMENTS:</b>				
General government			1,500	1,500
Public safety		309		309
Sanitation			41,915	41,915
Cemetery	<u>26,834</u>	<u></u>	<u></u>	<u>26,834</u>
<b>TOTAL DISBURSEMENTS</b>	<u>26,834</u>	<u>309</u>	<u>43,415</u>	<u>70,558</u>
Excess of receipts over (under) disbursements	(9,518)	76	4,957	(4,485)
Other financing sources (uses): Operating transfers in	<u>8,418</u>	<u>300</u>	<u></u>	<u>8,718</u>
Excess of receipts & other sources over (under) disbursements & other uses	(1,100)	376	4,957	4,233
Fund Balance - March 31, 2003	<u>7,997</u>	<u>20</u>	<u>62,807</u>	<u>70,824</u>
<b>FUND BALANCE - MARCH 31, 2004</b>	<u>\$ 6,897</u> =====	<u>\$ 396</u> =====	<u>\$ 67,764</u> =====	<u>\$ 75,057</u> =====

**SCHOOLCRAFT TOWNSHIP****COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL****SPECIAL REVENUE FUNDS - CEMETERY OPERATING & GARBAGE RECEIVING FUNDS**

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>RECEIPTS</b>			
Charges for services	\$ 66,320	\$ 63,826	\$ (2,494)
Interest & rents		1,477	1,477
Other	<u>2,100</u>	<u>385</u>	<u>(1,715)</u>
<b>TOTAL RECEIPTS</b>	<u>68,420</u>	<u>65,688</u>	<u>(2,732)</u>
<b>DISBURSEMENTS</b>			
General government	1,350	1,500	(150)
Sanitation	41,156	41,915	(759)
Cemetery	<u>21,480</u>	<u>26,834</u>	<u>(5,354)</u>
<b>TOTAL DISBURSEMENTS</b>	<u>63,986</u>	<u>70,249</u>	<u>(6,263)</u>
Excess of receipts over (under) disbursements	4,434	(4,561)	(8,995)
Other financing sources (uses):			
Operating transfers in	<u>          </u>	<u>8,418</u>	<u>8,418</u>
Excess if receipts & other sources over (under) disbursements & other uses	4,434	3,857	(577)
Fund Balance - March 31, 2003	<u>70,804</u>	<u>70,804</u>	<u>          </u>
<b>FUND BALANCE - MARCH 31, 2004</b>	<u>\$ 75,238</u> =====	<u>\$ 74,661</u> =====	<u>\$ (577)</u> =====

# SCHOOLCRAFT TOWNSHIP, MICHIGAN

## COMBINING STATEMENT OF ASSETS AND LIABILITIES - TRUST AND AGENCY FUNDS

March 31, 2004

	NONEXPENDABLE TRUST FUND	AGENCY FUNDS			
	Cemetery Perpetual Care Trust	Current Tax Account	Delinquent Tax Account	Agency Total	TOTALS
<b>ASSETS</b>					
Cash	\$ 15,628	\$ 9,429	\$ 50	\$ 9,479	\$ 25,107
Investments	<u>142,250</u>				<u>142,250</u>
<b>TOTAL ASSETS</b>	<u>\$ 157,878</u> =====	<u>\$ 9,429</u> =====	<u>\$ 50</u> =====	<u>\$ 9,479</u> =====	<u>\$ 167,357</u> =====
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Due to other funds	\$ 4,418	\$	\$	\$	\$ 4,418
Due to other governmental units		<u>9,429</u>	<u>50</u>	<u>9,479</u>	<u>9,479</u>
<b>TOTAL LIABILITIES</b>	4,418	9,429	50	9,479	13,897
<b>FUND BALANCE:</b>					
Reserved - Cemetery perpetual care trust	<u>153,460</u>				<u>153,460</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 157,878</u> =====	<u>\$ 9,429</u> =====	<u>\$ 50</u> =====	<u>\$ 9,479</u> =====	<u>\$ 167,357</u> =====

# SCHOOLCRAFT TOWNSHIP, MICHIGAN

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

### ALL AGENCY FUNDS

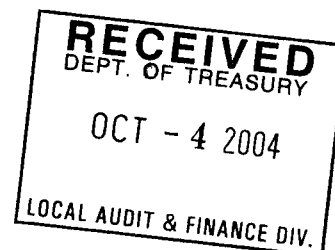
Year ended March 31, 2004

	Balance March 31, <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance March 31, <u>2004</u>
<b>CURRENT TAX ACCOUNT</b>				
ASSETS:				
Cash	\$ 9,381 =====	\$ 672,926 =====	\$ 672,878 =====	\$ 9,429 =====
LIABILITIES:				
Due to other governmental units & others	\$ 9,381 =====	\$ 672,926 =====	\$ 672,878 =====	\$ 9,429 =====
<b>DELINQUENT TAX ACCOUNT</b>				
ASSETS:				
Cash	\$ 37 =====	\$ 3,341 =====	\$ 3,328 =====	\$ 50 =====
LIABILITIES:				
Due to other governmental units & others	\$ 37 =====	\$ 3,340 =====	\$ 3,327 =====	\$ 50 =====
<b>TOTAL AGENCY FUNDS</b>				
ASSETS:				
Cash	\$ 9,418 =====	\$ 676,267 =====	\$ 676,206 =====	\$ 9,479 =====
LIABILITIES:				
Due to other governmental units & others	\$ 9,418 =====	\$ 676,266 =====	\$ 676,205 =====	\$ 9,479 =====

**JOHN I. JUKURI**  
CERTIFIED PUBLIC ACCOUNTANT  
56730 Calumet Avenue, Suite J  
Calumet, Michigan 49913  
Tel. (906) 337-0662  
Fax (906) 337-2587

September 4, 2004

Board Members  
Schoolcraft Township  
Lake Linden, Michigan 49945



In planning and performing my audit of the financial statements of Schoolcraft Township, Michigan for the year ended March 31, 2004, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. I noted certain matters involving the internal control and its operation and other items that came to my attention in the normal conduct of my audit that are presented to assist in improving accounting procedures and controls.

Reportable Conditions/Noncompliance

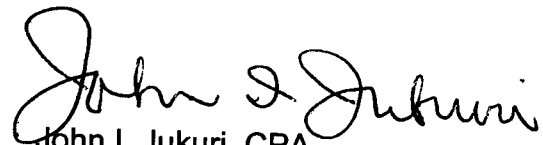
1. The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if it were large enough to provide optimum segregation of duties. This dictates that the Township Board remain involved in the financial affairs of the Township to provide oversight and independent review functions.
2. During the current audit period, the Township did not comply with Michigan Public Act 621 of 1978, the Uniform Budgeting and Accounting Act by not adopting a budget for its Liquor Fund. I recommend that the Board adopt appropriate policies and procedures to insure that the budgeting laws are properly followed and that all budgets conform with the State approved chart of accounts.

Generally Accepted Accounting Principles

3. The financial statements of the Township are prepared on a cash receipts and disbursements basis. I recommend that the Township's governmental fund types and agency fund be prepared on a modified accrual basis and its nonexpendable trust fund on an accrual basis of accounting in accordance with generally accepted accounting principles.
4. The Township does not maintain a general fixed asset account group for its non-proprietary fund types. I recommend that it be established in order to comply with generally accepted accounting principles. The Township may experience difficulty in acquiring certain cost information when establishing initial property records, however, GASB Cod. sec. 1400.112 permits the use of estimated costs.

This report is intended for the information and use of the Board membership and applicable Federal and State agencies. I will be pleased to discuss any of the comments with you at your convenience.

Sincerely,

  
John I. Jukuri, CPA